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ALASKA'S RESOURCES



A Publication of the Resource Development Council for Alaska, Inc.

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Lumber Company Seeks Funds

Schnabel Lumber Company of Haines is appealing for financial aid from companies and individuals throughout Alaska to help pay costs of new litigation in the firm's court battle with the Southeast Alaska Conservation Council (SEACC).

In a landmark ruling, Judge Allen Compton of Juneau on December 31, 1980 required the preservationist organization to pay \$25,000 in court costs and attorney fees to the private Haines lumber company they had sued, after the plaintiff's charges had been denied. SEACC appealed the ruling two weeks later, but on January 30, a court order was issued ordering SEACC to pay.

However, Schnabel Lumber Company is now forced with continued litigation costs and preparing briefs for presentation to the State Supreme Court after SEACC filed an Appeal for Trial March 2.

John Schnabel, president of the lumber company, said, "It is important that we not lose by default the opportunity to uphold this landmark decision." Schnabel said his company "tapped out and does not have the funds to pay its aged trade accounts. We cannot finance another round of litigation," Schnabel added.

The Borough of Haines has provided \$3,500 to obtain a transcript of the trial and Schnabel's attorney has agreed to continue the case on hopes the company can find a way to pay him.

"I need help and I am turning to those that have an interest in seeing this case closed to the advantage of all of us," Schnabel said.

(Continued on Page 4A)

A Petrochemical Plant Next Door: What's In It For My Community?

By Blair E. Wondzell, Professional Engineer, Member of the Engineering Information Committee of RDC

Potential petrochemical industry development in Alaska is a controversial issue. Valdez, Seward, Kenai, Point MacKenzie, Fairbanks and Fire Island are locations being considered as plant sites.

Why these sites and not others? Because local governments asked that these areas be considered. Those communities which didn't ask, are not being considered.

Why did six communities ask to be considered as the location of a major 2 billion dollar petrochemical complex? Perhaps the answer can best be understood by considering what happened to Valdez as a result of pipeline and oil terminal construction and operation there.

The valuation of Valdez real and personal property increased from less than 50 billion dollars to more than 1700 million dollars, a 24-fold increase in less than 10 years. This has allowed Valdez to reduce its property tax rate to 6.548 mills (\$654.80 on a \$100,000 home) and to drop its 4% sales tax. Other comparable cities have much higher tax rates. For example, Cordova and Seward have mill

rates of 15.00. What does this difference in mill rates mean to the average citizen? A tax difference of about \$900 a year.

While the individual home owner saves about \$900 per year, the city of Valdez enjoyed 1979 tax revenues of \$9.7 million - the same tax revenues of the City and Borough of Juneau.

By comparison, Cordova had 1979 tax revenues of \$1.4 million and Seward about 6 million dollars while the entire Matanuska-Susitna Borough received only 6.7 million.

At the end of 1979, Valdez had a population of 4,066, while the Matanuska-Susitna Borough had a population of 23,177 and the City and Borough of Juneau 23,115. Is it any wonder that Valdez is actively seeking additional industry?

What would the petrochemical complex now being studied by the Dow-Shell Group mean to the various local governments who have asked that their area be considered? (The study is being conducted under contract to the State of Alaska.) Annual property tax revenues generated by such a petrochemical plant



Dow Chemical Engineer, Midland, Michigan.

for each location, based on Alaska Tax Table 1980 mill rates, except Anchorage which is the May 1981 rate, would be as follows:

Municipality of Anchorage, \$17.7 million

Matanuska-Susitna Borough, \$16.8 million

North Star Borough, \$12.4 million

Kenai Service Area, Wildwood /Nikiski \$9.9 million

Seward Service area, Fourth of July Creek \$20.0 million

Valdez Service Area, Glacier Stream Valley \$13.1 million

In addition to the annual property tax revenues generated (Continued on Page 4A)

Fishing and Offshore Drilling Coexist Peacefully

By Ronald C. Lassiter, President, Zapata Corp.

Few ocean-related issues have stirred more controversy than the federal government's decision to seek oil and gas leases on the Georges Bank, offshore Massachusetts. Environmentalists and some fishing interests protested that exploration and development would imperil fish harvests from the 20,000-sq. mile area, 80 miles east of Cape Cod. Energy developers disagreed.

That argument is mostly behind us now, and oil and gas exploration is slated to begin later this year, but the Georges Bank debate provides a microcosm of the concerns that separate environmentalists and developers in many areas, including Alaska.

Much of this debate is more fiction than function; neither side seems to want to take the time to understand the other's position. That is sad because I firmly believe offshore drilling and fishing can coexist peacefully.

Consider the situation in the Gulf of Mexico. During the past

fully and productively.

I make that statement with conviction because I am president of a unique company that is a major offshore drilling contractor and also has extensive commercial fishing operations. Offshore oil and gas exploration and fishing are both maritime operations that share common problems and require similar expertise. Our experience definitely has demonstrated that the two industries are compatible.

The conclusion is supported by a report compiled by Rice University. Called the "Offshore Ecology Investigation," the nearly 600-page document is one of the most complete studies of the effects of oil drilling and production on the coastal environment.

According to the report, natural changes in the marine ecosystem cause greater effects over time than oil drilling or production.

Given these facts one has to conclude that, at a minimum, the presence of rigs has not been detrimental to the fishing industry.

25 years, offshore drilling has grown from nothing to extremely heavy development in some areas, especially offshore Louisiana where more than 3,000 structures are located today.

During this period, we have seen consistent increases in the menhaden harvest in the area, growing from 213,000 metric tons in 1955 to 820,000 metric tons in 1978. This fact is of key importance because menhaden is a delicate species, as are shrimp and other shellfish, and depends on a clean estuarine system for survival.

Given these facts one has to conclude that, at a minimum, the presence of rigs has not been detrimental to the fishing industry.

An important reason why the petroleum and commercial fishing industries have been able to coexist peacefully is because both have matured in recent years. The petroleum industry has discovered that fishermen

are good marine neighbors and have become much more careful to keep the ocean environment clean.

Fishermen, on the other hand, have enjoyed many benefits from the presence of the petroleum industry, including improved ports and harbors, better vessel repair facilities and stronger local economies.

One recurring concern of the fishing industry boils down to competition for physical space in offshore areas. Many times, it is assumed that thousands of platforms will suddenly dot the offshore horizon, constituting a navigational hazard.

That is simply not going to happen on the Georges Bank. A 1976 study by the Woods Hole Oceanographic Institution, estimates that, at most, platforms would pre-empt some 62 sq. miles of the bank.

Another concern voiced is whether the drilling process (Continued on Page 4A)

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An RDC Editorial

"Our Fair Share" of Oil Profits

A frequently heard phrase when discussing Alaska's special oil and gas corporate income tax and the proposed "backstop" tax is "our (Alaska's) fair share."

The argument favoring the ever increasing taxes (13 times since 1969) on the oil industry generally begins with the statement that Alaska owns the oil.

However, between 1965 and 1969, Alaska sold to oil companies the rights to the oil on leases to which they competitively bid a bonus and royalty rates accepted by the state. In the famous 1969 lease sale, the successful bidders paid the state an astounding \$900 million in "bonus payments" in addition to the standard one-eighth of gross value retained royalty. This royalty share is not affected by investment costs or drilling and operating expenses. It is automatically pegged to the oil's value.

It is important to remember that most of these contracts were made and signed by the state and oil companies before anyone knew if commercial quantities of oil even existed under the leases.

All the bonus payments and millions of investment dollars were risked before a way to transport the oil to market was available.

The point here is that it was private investors who took the risks, not the state. Just as companies which bought Gulf of Alaska oil leases (where the exploratory wells turned out dry and are a major loss) have no right to ask the state for their bonus payments to be returned, the state should not have a right to effectively "change the terms of the contract" in order to increase its share of the Prudhoe Bay production.

Total state tax burden on the oil companies has increased roughly 1400% since 1968. (That is the increase comparing total taxes which the oil companies would have paid Alaska in 1981 if they were taxed under laws in effect when Prudhoe Bay was discovered, to the tax laws of today.)

For every dollar of incremental value on Prudhoe Bay oil, producing oil companies receive only nine percent while the state and federal governments take more than 91 percent. In 1978, the first year of full production, Alaska's royalty share of oil was worth approximately \$200 million. In 1981, the state's share is estimated to be worth \$1,460 million. The bulk of that increase is a result of price decontrol. To say that Alaska would not get its "fair share" without increasing taxes is obviously false.

Alaska's increase in tax burden on the oil industry is far from being fair and equitable. It is nothing more than an "appropriation" (which Webster defines as "making something one's own... without authority or with questionable right"). Even state governments must be guided by rules and principles. The state has the same obligation to act in good faith as corporations and individuals. If not, the rights of us all are severely jeopardized.

Fear of Chemicals is Becoming a Popular "Disease"

By Peter M. Ricca, PhD, Member of the Engineering Information Committee, Resource Development Council

Industrial Threshold Values For Petrochemical Plants

Product	Allowable Concentration (ppm)
Ethylene	F
Ethylene Glycol	50
Ethylbenzene	100
Ammonia	25
Polyethylene	N
Urea	N
Benzene*	10
Methanol	200
Styrene	50
Caustic Soda	.5
Ethylene Dichloride	10

F Flammable only

N No limit set

• Suspected carcinogen in man at high dose levels.

There is one so-called "official" list published by NIOSH that includes over 2400 substances that the agency considers as "suspected carcinogens." Approximately 1,905 of these substances were selected on the basis of reported non-plastic or carcinogenic effects; the remaining substances were included on the basis of expressed (tumor producing) interest.

Interestingly enough this list also includes a lot of other materials which most of us are familiar with: table salt, cellophane, silk, silver, rock salt, stearic acid (used in many hand soaps, hair shampoos, etc.), ethyl alcohol (used in distilled spirits), petroleum, fertilizer, etc. One compound, selenium, is a trace element essential for human life,

The NIOSH notion that we are surrounded by more than 2400 nasty chemical carcinogens is refuted directly by the consensus opinion of most professional industrial physicians and hygienists, including the American Conference of Governmental Industrial Hygienists (ACGIH).

An ACGIH publication entitled, "Threshold Limit Values for Chemical Substances & Physical Agents in the Workroom Environment" lists threshold values for 730 chemical compounds

but is deadly at high doses. Few of us are ready to buy the argument that these compounds are completely safe to human health and the environment, but few of us mismanage our exposures to them to make them harmful to our health.

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and dusts. On this "list" only 10 compounds are rated as confirmed carcinogens in man with an additional 20 compounds identified as suspected carcinogens. These 30 compounds identified as "high risk" by the ACGIH are a far cry from the 2400 NIOSH "hit" list.

A basic premise to the study of poison is that long term harm to human health from exposure to substances is based on the level of exposure (or dose) to that substance over a period of time. Unlike bacteria and laboratory animals such as rodents, rabbits, dogs, etc., humans have the ability to detoxify many substances they are exposed to naturally. Otherwise,

the low level exposures to naturally occurring chemical substances we routinely encounter would have snuffed out human life long ago.

As we voluntarily limit our exposures to such potentially harmful substances, such as table salt, alcohol, cellophane, etc., the petrochemical industry and government, through regulations, attempt to manage the risk of potential harm to those exposed to substances below levels which scientific data indicate little to no potential for harm. In most cases industry voluntarily limits those exposures to levels far below those imposed by governmental regulation.

One of the reasons why the petrochemical industry has become the second fastest industry monitored by the National Safety Council is the research effort expended voluntarily by industry to understand the potential to cause harm to human health and the environment of the products it manufactures, transports, handles, and consumes. The industry goes further in what is called hazard communication — informing its employees and users of its products about hazards that those products may pose and about ways to protect themselves from them. It is found that a product cannot be made or handled safely, the product will not be made. Present state-of-the-art manufacturing technology and good safety programs allow their manufacture and handling with socially accepted risk to human health and the environment.

We have to realize that right now we are living with an enormous amount of propaganda concerning petrochemicals. Fear of chemicals, not fear of cancer, is the most popular "disease" we have right now.

Report Shows Bowhead Whales

Return Despite Expanded

Oil Operations in Beaufort

By Patricia E. Starratt, Industry Representative, Science Advisory Committee, Alaska Eskimo Whaling Commission

The presence of petroleum operations on an artificial island in the Canadian Beaufort Sea has produced no decline of bowhead whales in the area.

An August 1980 aerial survey conducted by Ecological Research Associates, Inc., for the U.S. Bureau of Land Management states on five days during the month 162 bowhead whales were observed by scientists. Some were as close as one-half mile from Issuungnak Island. During the same month, industry personnel recorded 18 sightings of 135 bowheads in the area.

The presence of numerous bowheads in the area of the artificial gravel island surprised scientists who had conducted similar surveys the two previous summers. In 1978, there were only eight sightings for a total of 63 bowheads and in 1979 only two sightings were made and seven bowheads counted.

Construction of the island had begun in 1978 and continued during the winter of 1979-80. Issuungnak was used as a platform

for exploratory drilling. The drilling results were promising, so the operator, ESSO Resources Canada Limited, decided to expand the island in the summer of 1980.

Expansion operations included a large suction dredge, a barge camp, four tug boats and two crew boats.

Recordings of composite sound produced by the dredge and auxiliary equipment showed that the sounds in the area were well above quiet ambient levels out to a range of at least 2.76 miles north of the dredge.

The evidence suggests that the sounds from the island construction operation were audible to bowheads at least within three miles and to the north, in deeper water, the sounds were likely to carry farther.

The report, "Behavior, Disturbance Response and Feeding of Bowhead Whales in the Beaufort Sea, 1980," was completed in January 1981. Copies may be obtained from the BLM office in the Anchorage Federal Building at 7th & C St.



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AkPIRG's Alaska Consumer Advocacy Corporation: In Whose Public Interest?

By Paula Easley, RDC Executive Director

A private concern known as the Alaska Consumer Advocacy Corporation (ACAP) received \$150,000 from the Department of Community and Regional Affairs in March 1981 and is now seeking second-year funding from the Alaska Legislature. The original funding occurred despite overwhelming public opposition.

Background on state "public interest" funding

During the 1980 legislative session, the Resource Development Council (RDC), monitored projects line itemed in HB 60, the supplemental budget, and urged the following items not be funded with tax dollars:

Alaska Public Advocacy Corporation \$453,000

Alaska Public Interest Research Group (AkPIRG) 75,000

Alaska Center for Policy Studies 317,500

Citizen Participation Project 48,3000

Newspaper project 7,500

RDC believed the funding was for private groups, with narrow interests, and properly should not be funded with tax dollars.

When informed of the nature of these projects, the Senate deleted them. They reappeared in the House version of the budget. The House had one day to review the 39-page document totaling \$286 million before the up or down floor vote on the bill. The bill then went to a House-Senate Free Conference Committee (FCC) for in-depth scrutiny and the traditional trade-offs.

Many legislators and members of the public were concerned over the proposed funding. They pledged to press members of the FCC to delete the funds. The FREE Committee of the Anchorage Woman's Club and members of several trade associations joined the fight. After a long and costly effort by consumers all over the state, HB 60 was amended and passed, without the \$900,000 for the so-called public interest activities.

Interim Committee Takes Over

The victory was short lived. An interim committee, legislative Budget & Audit (B & A), was given \$375,000 in HB 60 for "research projects," to be designated by the leadership of the House of Representatives, assumed to be Speaker Terry Gardiner, RDC learned that, in spite of the legislature's denial of the controversial projects, contracts were being drafted for AkPIRG and the Alaska Center for Policy Studies. Also in draft form was a \$50,000 contract for long-time AkPIRG allies James Grandjean and attorney John Hedland for a "history of oil development."

Although AkPIRG denied association with the Alaska Center for Policy Studies (a private corporation headed by now Senator Vic Fischer (D Anchorage) and Anchorage Council member Joe Josephson), a memo telecopied to Rep. Terry Gardiner by AkPIRG read:

"The enclosed are work plans for contracts under Sec. 276 of HB 60. The contract for the Alaska Center for Policy Studies should replace the \$10,000 contract for the development of a workplan. The contract for AkPIRG is in addition to the contract for health care and the contract for Hedland and Grandjean is, of course, a separate proposal altogether. In summary these will total:

Alaska Center for Policy Studies	\$270,000
AkPIRG-	
Housing \$25,000; Health \$15,000	Total 40,000

History of Oil Development

50,000

\$360,000

This leaves \$15,000 in the account. Jamie Love, 7/17/80"

In whose account? Love was the executive director of AkPIRG.

Also an examination of prior legislative contracts revealed that AkPIRG had in 1979 received \$11,384 from the Alaska Center for Policy Studies for work on a study entitled "Energy Alternatives for the Railbelt."

RDC questioned why the Center for Policy Studies sub-

90 State Positions - \$4,000,000



Will the real consumer protector please stand up!!

contract legislative studies with a consumer advocacy group, instead of with persons having technical expertise in energy. And why two long-time foes of oil development (Hedland and Grandjean) should be selected to do a study of its history. Besides, the history of oil development in Alaska is well documented.

During the summer 1980 B&A committee meetings the FREE Committee produced a number of recent housing studies to support its position that another study was totally unjustified. The Alaska Support Industry Alliance, RDC and various trade associations were prepared to show why not one of the contracts was necessary, and Common Sense for Alaska offered to perform one of the studies for a dollar.

By now considerable focus was on the manner in which legislative contracts were granted. Both the FREE committee and Common Sense demanded reform and prepared recommended guidelines. As the practice stood, committee chairmen could give contracts in the hundreds of thousands of dollars to anyone they chose. Other legislative committee members had no say in the matter.

For the B&A committee at least this freedom was inhabited by an unexpected motion of Sen. George Hohman. He asked that a majority of the 10-member committee approve all contracts. The motion carried, which prompted a request by the committee chairman for a legal opinion. On July 3 the Division of Legal Services ruled that the committee had the right to review and approve contracts if so desired.

Throughout the summer hearings, attended by standing-room only crowds of supporters and

opponents to the contracts under consideration, the crucial six votes for contract approval were never obtained. Once more the matter was laid to rest. Legislators also promised to pursue reform of contracting procedures.

December 1, 1980

A legal notice in the Anchorage Times read in part. "The State of Alaska, Department of Community and Regional Affairs requests proposals to provide a program of representation of Alaska consumer interests in front of Alaska State regulatory agencies and Alaska courts. \$150,000 is available to fund this program which is expected to last one year."

The Request for Proposal read: "\$225,000 was included in the FY81 budget for the

consumer representation."

"Needless to say, there is a great amount of opposition by certain industry groups to consumer advocacy efforts... The question of funding consumer representation is really a political question that pits the interest of certain industry groups against the broader interests of the consuming public.

"The people who are likely to oppose this are, of course, a highly influential and articulate group. It is this same group, moreover, that was so successful last year in getting the lion's share of the three billion dollars, through such things as tax appeal, which benefits the rich more than the poor, and the half-billion dollar loan program to those in high income brackets."

He declared his personal intent as to how the funds would be used. RDC and others do not agree that McKinnon's letter constituted an official legislative "letter of intent." Apparently the Governor's Office and C&RA accepted it as such.

Because of RDC's objections to the \$150,000 contract, Tom Fink, then RDC president, was invited to sit in on the bidder selection committee. There was nothing to select. AkPIRG was the only applicant. In RDC's opinion, the RFP was written solely for AkPIRG, although this was denied by Connie Sipe of the Consumer Protection Division, Department of Law, who drafted the RFP.

A look at another government document, an "Authority to Enter Contract Negotiations" form, indicated C&RA intended to contract with Alaska Public Interest Research Group, the Coalition for Economic Justice, and/or other groups that may respond to newspaper advertisements."

ACAP in Business
Because the ACAP project is housed in AkPIRG headquarters, Alaska tax dollars are now funding AkPIRG's rent (\$9,000), telephone (\$3,000), postage, copying and office supplies (\$4,500), travel (\$4,000) plus staff and fringe (19 percent) totaling \$95,200. Another \$34,300 goes to outside professional service agreements.

The AkPIRG Board of Directors will have responsibility "for approval of selected cases and intervention..." and "AkPIRG staff will augment the efforts of the Community Education/Outreach Coordinator to reach the public."

But 15 Other States Do It!
Press stories and direct statements by AkPIRG representatives would have you believe that other states fund similar organizations. RDC has investigated this and can find no record of any state providing direct funding for a public interest research group (called PIRGs in other states).

What AkPIRG refers to is a list of states which provide consumer services, as Alaska does, within state government.

AkPIRG cited Ohio's CAP as one of those "similar consumer advocacy organizations" which last year saved the state's consumers \$40.8 million at a cost of only \$2 million. The Alaska public was not told that the agency referred to was a state agency called the "Office of Consumer Counsel" which has a budget of \$6 million and a staff of 75. It is the largest such agency in the U.S.

ACAP Goes Back to the Trough
Readers of this article are urged to read (copies from RDC) H. Peter Metzger's March 1980 paper, *Government-Funded Activism: Hiding Behind the Public Interest*, and a recently updated (April 1, 1981) report entitled *"Government Activists: How They Rip Off the Poor."* If you agree with Metzger's thoroughly-documented incidents of abuses of taxpayer funds for "consumerism" and "public interest" activities, then we urge you to contact your legislator and demand these abuses cease.

AkPIRG/ACAP is seeking \$225,000 from the Alaska Legislature this session for fund and expand its advocacy operation. These are not government

(Continued on Page 4A)

Office of the Governor, Division of Policy Development and Planning, for funding a consumer advocacy project. That amount was transferred to our department by a Reimbursable Service Agreement. \$150,000 is available fund this project and the remaining \$75,000 will be divided into smaller consumer advocacy grants on specific issues."

Behind the Scenes

How did the funds for so-called consumer activities - rejected by legislators on numerous occasions - get to C&RA?

Enter Rep. Joe McKinnon, then legislator and AkPIRG employee. On June 23, 1980 (at the very time all the public outcry was taking place), McKinnon wrote a six-page letter to Frances Ulmer, Director of the Division of Policy Development and Planning, in the office of Gov. Jay Hammond, which began:

"As requested, I am providing you with back-up information on the \$450,000 appropriation which I requested the Free Conference Committee to include in the budget to provide for consumer representation before state agencies. These funds were originally designed to be to the Alaska Public Advocacy Corporation for two years' funding. When Rod Pegues (Attorney General's office) sent down his letter setting out the Administration's objections to funding of non-profit corporations, I suggested changing the appropriation to a grant fund to be administered by a state agency with the money bid competitively to interested organizations."

Astonishing? Read on. After a lengthy explanation of why consumer advocacy efforts were needed, McKinnon addressed the subject of "the politics of con-

tracting" and the intent of the legislature not to fund AkPIRG's consumer advocacy efforts; yet Rep. McKinnon sought an indirect means - not subject to public scrutiny - to divert the funds.

